

**City of Mesa**  
**Deferred Compensation Committee**  
**MEETING MINUTES**  
**Thursday, June 5, 2014, 10:30am**  
**Mesa City Plaza, Suite 130**  
**Personnel Conference Room 2**  
**CONFERENCE CALL**

**Members Present:**

Mike Kennington (Chair)  
Derek Witting\*  
Frank Hoglund  
Kimberly Call  
Vicki Eden\*

**Members Absent:**

Don Miller  
Mary Dellai  
Michael Claspell  
Michele Long

**Innovest:**

Gordon Tewell\*  
Wendy Dominguez\*

**Other(s):**

Bill Taebel  
Nikki Rosales

**Meeting called to order at 10:40am by Mike Kennington**

**1. Emerging Markets Fund Search**

Innovest provided three different funds for the committee to review.

Dimensional Fund Advisors Emerging Markets Core Equity	Harding Loevner Emerging Markets Equity	Virtus Emerging Markets Opportunity Fund
<ul style="list-style-type: none"> <li>• Firm Inception 1981</li> <li>• Firm Assets \$213.9 billion</li> <li>• Strategy Inception 2005</li> <li>• Strategy Assets \$9.2 billion</li> <li>• Expense Ratio 0.68%</li> <li>• Revenue Sharing 0%</li> <li>• 10 portfolio managers</li> <li>• Focus on value oriented stocks that provide more return over long run</li> <li>• Performs quantitative research rather than looking at individual stocks</li> <li>• Total Securities 3,977</li> <li>• Looks more like an index</li> </ul>	<ul style="list-style-type: none"> <li>• Firm Inception 1989</li> <li>• Firms Assets \$27.6 billion</li> <li>• Fund Inception 1998</li> <li>• Fund Assets \$4.2 billion</li> <li>• Expense Ratio 1.30%</li> <li>• Revenue Sharing 0.15%</li> <li>• 60% owned by large management group, AMG</li> <li>• 3 portfolio managers with 18 analysts</li> <li>• Look at quality stocks with little debt and consistent earnings</li> <li>• Research is more hands on</li> <li>• Total Securities 83</li> <li>• Will not always look like the index</li> </ul>	<ul style="list-style-type: none"> <li>• Vontobel manages assets</li> <li>• Firm Inception-Virtus 1995, Vontobel 1984</li> <li>• Firm Assets \$12.8 billion</li> <li>• Strategy Inception 1997</li> <li>• Strategy Assets \$6.5 billion</li> <li>• Expense Ratio 1.37%</li> <li>• Revenue Sharing 0.25%</li> <li>• 1 portfolio manager with 10 analysts</li> <li>• Look for quality companies at a discount price</li> <li>• Research is hands on</li> <li>• Total Securities 84</li> <li>• Willing to not look like the index</li> <li>• Protects on the downside</li> </ul>

The committee was reminded that the reason for the emerging markets fund search is that the U.S. economy is expected to continue to have slow growth. Other countries have a younger population and emerging middle class, which tends to drive growth. Emerging markets are expected to provide nice stock opportunities over the next 20 years.

The committee had an open discussion about all three funds and came to a determination, based on the following factors.

- DFA had the lowest expense ratio
- DFA owned their fund, whereas the other two were managed by someone else, or only owned 40% of the fund
- Committee members have previously discussed providing participants options that match the index and DFA is closest to the index

Frank motioned to add Dimensional Fund Advisors Emerging Markets Core Equity to the fund lineup

Kim seconded the motion

None opposed

Innovest will work with Great West too add DFA to the fund lineup. They will need to come up with the allocation for each model and add DFA to the core menu. This is expected to take approximately 60 days. Innovest will create an announcement for participants, explaining the modifications.

## **2. Meeting Adjourned at 11:30am**

**\*Participated by phone**